

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re: _____

Chapter 11 Case No.

Lehman Brothers Holdings Inc., et al.,

08-13555

Debtors.

MONTHLY OPERATING REPORT

JANUARY 2011

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

DEBTORS' ADDRESS: LEHMAN BROTHERS HOLDINGS INC.
c/o WILLIAM J. FOX
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35th FLOOR
NEW YORK, NY 10020

DEBTORS' ATTORNEYS: WEIL, GOTSHAL & MANGES LLP
c/o SHAI WAISMAN
767 FIFTH AVENUE
NEW YORK, NY 10153

REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., A DEBTOR IN POSSESSION (IN THE SOUTHERN DISTRICT OF NEW YORK)

THIS OPERATING STATEMENT MUST BE SIGNED BY A REPRESENTATIVE OF THE DEBTOR

The undersigned, having reviewed the attached report and being familiar with the Debtors' financial affairs, verifies under penalty of perjury, that the information contained therein is complete, accurate and truthful to the best of my knowledge.

Lehman Brothers Holdings Inc.

Date: February 22, 2011

By: _____
/s/ William J. Fox
William J. Fox
Executive Vice President

Indicate if this is an amended statement by checking here: AMENDED STATEMENT ☐

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SCHEDULE OF DEBTORS

The following entities have filed for bankruptcy in the Southern District of New York:

	<u>Case No.</u>	<u>Date Filed</u>
<u>Lead Debtor:</u>		
Lehman Brothers Holdings Inc. ("LBHI").....	08-13555	9/15/2008
<u>Related Debtors:</u>		
LB 745 LLC.....	08-13600	9/16/2008
PAMI Statler Arms LLC(1).....	08-13664	9/23/2008
Lehman Brothers Commodity Services Inc. ("LBCS")	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. ("LBSF")	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. ("LOTC").....	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. ("LBDP").....	08-13899	10/5/2008
Lehman Commercial Paper Inc. ("LCPI").....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation ("LBCC")	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. ("LBFP")	08-13902	10/5/2008
Lehman Scottish Finance L.P.	08-13904	10/5/2008
CES Aviation LLC.....	08-13905	10/5/2008
CES Aviation V LLC.....	08-13906	10/5/2008
CES Aviation IX LLC	08-13907	10/5/2008
East Dover Limited	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009
BNC Mortgage LLC	09-10137	1/9/2009
LB Rose Ranch LLC.....	09-10560	2/9/2009
Structured Asset Securities Corporation	09-10558	2/9/2009
LB 2080 Kalakaua Owners LLC	09-12516	4/23/2009
Merit LLC	09-17331	12/14/2009
LB Somerset LLC.....	09-17503	12/22/2009
LB Preferred Somerset LLC	09-17505	12/22/2009

- (1) On May 26, 2009, a motion was filed on behalf of Lehman Brothers Holdings Inc. seeking entry of an order pursuant to Section 1112(b) of the Bankruptcy Code to dismiss the Chapter 11 Case of PAMI Statler Arms LLC, with a hearing to be held on June 24, 2009. On June 19, 2009, the motion was adjourned without a date for a continuation hearing.

The Chapter 11 case of Lehman Brothers Finance SA (Case No: 08-13887) has been dismissed.

**LEHMAN BROTHERS HOLDINGS INC. ("LBHI") AND OTHER DEBTORS AND OTHER
CONTROLLED ENTITIES**

**BASIS OF PRESENTATION
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
JANUARY 1, 2011 TO JANUARY 31, 2011**

The information and data included in this Monthly Operating Report ("MOR") are derived from sources available to Lehman Brothers Holdings Inc. ("LBHI") and its Controlled Entities (collectively, the "Company"). The term "Controlled Entities" refers to those entities that are directly or indirectly controlled by LBHI, including LAMCO LLC ("LAMCO"), and excludes, among other things, those entities that are under separate administrations in the United States or abroad, including Lehman Brothers Inc., which is the subject of proceedings under the Securities Investor Protection Act. LBHI and certain of its Controlled Entities have filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the "Debtors". The Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. The Debtors have prepared this MOR, as required by the Office of the United States Trustee, based on the information available to the Debtors at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This MOR is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. The Debtors reserve all rights to revise this report.

1. This MOR is not prepared in accordance with U.S. generally accepted accounting principles (GAAP). This MOR should be read in conjunction with the financial statements and accompanying notes in the Company's reports that were filed with the United States Securities and Exchange Commission.
2. This MOR is not audited and will not be subject to audit or review by the Company's external auditors at any time in the future.
3. The beginning and ending balances include cash in demand-deposit accounts (DDA), money-market funds (MMF), treasury bills, and other investments.
4. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
5. Beginning and ending cash and investment balances exclude the following:
 - Cash posted as collateral for hedging activity;
 - Cash related to LBHI's wholly-owned indirect subsidiaries Aurora Bank FSB (formerly known as Lehman Brothers Bank FSB), Woodlands Commercial Bank (formerly known as Lehman Brothers Commercial Bank), LBTC Transfer Inc. (formerly known as Lehman Brothers Trust Company N.A.) and Lehman Brothers Trust Company of Delaware;
 - Cash pledged on or prior to September 15, 2008 by the Company in connection with certain documents executed by the Company and Citigroup Inc. and HSBC Bank PLC, currently recorded at \$2 billion and \$222 million; and
 - \$500 million which was seized by Bank of America ("BOA") to offset derivatives claims against the Debtors. On November 16, 2010, the Bankruptcy Court ruled that BOA had no right to set-off these funds and must return the \$500 million plus an estimated \$95 million in interest to the Company.
6. Intercompany transfers between Lehman entities are listed as disbursements for the paying entity and receipts for the receiving entity.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities
Schedule of Cash Receipts and Disbursements (a)
January 1, 2011 - January 31, 2011

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

		Debtor Entities					Other Controlled Entities (b)					Total Debtors and Other Controlled Entities
		LBHI	LBSF	LCPI	Other	Total	LAMCO	LB1 Grp	PAMI	Other	Total	
Beginning Total Cash and Investments (1/1/11)	(c)	\$ 2,318	\$ 8,579	\$ 4,347	\$ 3,236	\$ 18,481	\$ 104	\$ 1,020	\$ 7	\$ 2,477	\$ 3,609	\$ 22,090
Restricted Cash.....	(d)	(1,338)	(657)	(1,779)	(51)	(3,826)	—	—	—	(82)	(82)	(3,907)
Beginning Free Cash and Investments		980	7,922	2,568	3,185	14,655	104	1,020	7	2,395	3,525	18,181
Sources of Cash												
Derivatives.....												
Collections from Live / Terminated Trades		—	144	—	56	200	—	—	—	—	—	200
Loans												
Agency Receipts	(e)	—	—	50	—	50	—	—	—	—	—	50
Principal.....		3	—	156	—	159	—	—	—	—	—	159
Interest		17	—	11	—	28	—	—	—	—	—	28
Private Equity / Principal Investing												
Principal.....		26	—	—	—	26	—	73	—	2	74	100
Interest		2	—	—	—	2	—	1	—	—	1	3
Real Estate.....												
Principal.....		27	—	49	—	76	—	—	13	—	13	89
Interest		7	—	23	—	30	—	—	2	1	3	33
Other.....												
Compensation and Benefits Reimbursements	(f)	1	—	—	—	1	—	—	—	—	—	1
Interest	(g)	—	2	1	1	4	—	1	—	3	4	8
Return of Hedging Collateral	(h)	—	123	—	5	128	—	—	—	—	—	128
Other	(i)	39	—	—	—	39	—	—	—	—	—	39
Asia		—	—	—	—	—	—	—	—	10	10	10
Inter-Company Transfers.....		26	—	2	—	28	—	—	—	24	24	52
Total Sources of Cash		148	269	292	62	771	—	75	15	39	129	899

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities
Schedule of Cash Receipts and Disbursements (a)
January 1, 2011 - January 31, 2011

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

		Debtor Entities					Other Controlled Entities (b)					Total Debtors and Other Controlled Entities
		LBHI	LBSF	LCPI	Other	Total	LAMCO	LB1 Grp	PAMI	Other	Total	
Uses of Cash												
Non-Operating (Principally Preservation of Assets).....												
Derivatives												
Payments on Live / Terminated Trades.....		—	(13)	—	—	(13)	—	—	—	—	—	(13)
Loans.....												
Agency Disbursements	(e)	—	—	(50)	—	(50)	—	—	—	—	—	(50)
Preservation of Assets.....	(j)	—	—	(8)	—	(8)	—	—	—	—	—	(8)
Other	(k)	—	—	(27)	—	(27)	—	—	—	—	—	(27)
Private Equity / Principal Investing.....												
Capital Calls.....	(l)	—	—	—	—	—	—	(5)	—	—	(5)	(5)
Real Estate												
Preservation of Assets.....	(m)	(17)	—	(28)	—	(45)	—	(3)	(6)	(3)	(12)	(56)
Other												
Hedging Collateral.....	(n)	(2)	(44)	(58)	—	(104)	—	—	—	—	—	(104)
Other		(1)	(1)	(4)	—	(6)	—	(3)	—	(2)	(5)	(11)
Operating												
Compensation and Benefits.....	(o)	(22)	—	—	—	(22)	(74)	—	—	(8)	(82)	(104)
Professional Fees.....	(p)	(35)	—	—	—	(35)	(2)	—	—	—	(2)	(37)
Other	(q)	(10)	—	—	—	(10)	(1)	—	—	(1)	(2)	(12)
Asia.....		—	—	—	—	—	—	—	—	(9)	(9)	(9)
Inter-Company Transfers.....		(26)	(1)	(1)	—	(28)	—	—	(15)	(9)	(24)	(52)
Total Uses of Cash		(113)	(59)	(175)	—	(237)	(77)	(11)	(21)	(29)	(135)	(372)
Net Cash Flow		35	210	117	62	424	(77)	64	(6)	9	(11)	413
FX Fluctuation.....	(r)	1	1	1	—	3	—	—	—	14	14	16
Ending Total Cash and Investments		2,353	8,790	4,466	3,298	18,907	27	1,084	1	2,499	3,610	22,517
Restricted Cash		(1,350)	(662)	(1,784)	(51)	(3,846)	—	—	—	(85)	(85)	(3,931)
Ending Free Cash and Investments (1/31/11)	(s)	\$ 1,004	\$ 8,128	\$ 2,682	\$ 3,247	\$ 15,061	\$ 27	\$ 1,084	\$ 1	\$ 2,414	\$ 3,525	\$ 18,586

Totals may not foot due to rounding

Schedule of Cash Receipts and Disbursements (a)
January 1, 2011 - January 31, 2011

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

Notes:

- (a) Includes cash receipts and disbursements for all Debtor Entities and Other Controlled Entities, globally. Activity in Corporate, Derivatives, Loans, Private Equity / Principal Investing and Real Estate reflects bank accounts that are managed and reconciled by Lehman's U.S. and European operations. Activity in Asia and South America reflects bank accounts that are managed and reconciled by Lehman's Asia and South American operations.
- (b) Other Controlled Entities include Non-Debtor entities which are under the control of LBHI, except for Aurora Bank, Woodlands Commercial Bank, LBTC Transfer Inc. (f/k/a Lehman Brothers Trust Company N.A.) and Lehman Brothers Trust Company of Delaware, which are not reflected in this schedule.
- (c) Beginning Cash and Investment balances exclude approximately \$545 million of cash posted for hedging activity, prior to the recognition of any gains or losses broken down as follows: LBSF \$444 million, LCPI \$46 million, LBFP \$28 million, LBHI \$15 million, LBCC \$11 million and LBCS \$1 million.
- (d) Restricted balances are preliminary estimates of cash in commingled or segregated accounts associated with pledged assets, court ordered segregated accounts, funds administratively held by banks and other identified funds which may not belong to the Debtors or Other Controlled Entities.
- (e) Reflects the collection of principal and interest for syndicated loan participants and subsequent distribution to syndicated loan participants.
- (f) Reflects the repayment of payroll disbursements made on behalf of Woodlands Commercial Bank.
- (g) Reflects interest earned on court-approved investments portfolio.
- (h) Reflects the return of cash posted to hedge foreign currency and interest rate risk for Derivatives, Loans and Real Estate.
- (i) Primarily reflects \$27 million from tax refunds and \$10 million of distributions from entities under the control of other administrations.
- (j) Primarily reflects credit line increases.
- (k) Reflects disbursements to reduce the outstanding principal balance of the Sumitomo note.
- (l) Primarily reflects capital calls for GP / LP Investments.
- (m) Primarily reflects payments to preserve the value of development and operating properties in the Real Estate portfolio.
- (n) Reflects cash posted to hedge foreign currency and interest rate risk for Derivatives, Loans and Real Estate.
- (o) Compensation and Benefits includes fees paid to Alvarez & Marsal as interim management and 2010 bonus payments made to Lehman and LAMCO employees. A portion of the \$22 million related to LBHI will be subject to future cost allocation to various Lehman legal entities.
- (p) A portion of the \$35 million related to LBHI will be subject to future cost allocation to various Lehman legal entities.
- (q) Primarily reflects expenses related to occupancy, the Transition Services Agreement, taxes, insurance and infrastructure costs. A portion of the \$10 million related to LBHI will be subject to future cost allocation to various Lehman legal entities.
- (r) Reflects fluctuation in value of foreign currency bank accounts.
- (s) Ending Cash and Investment balances exclude approximately \$517 million of cash posted as collateral for hedging activity, prior to the recognition of any gains or losses, broken down as follows: LBSF \$364 million, LCPI \$96 million, LBFP \$23 million, LBHI \$22 million, LBCC \$11 million and LBCS \$1 million.

**LEHMAN BROTHERS HOLDINGS INC. ("LBHI") AND OTHER DEBTORS AND OTHER
CONTROLLED ENTITIES**

**BASIS OF PRESENTATION
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
DATED FROM FILING DATE TO JANUARY 31, 2011**

The information and data included in this Monthly Operating Report ("MOR") are derived from sources available to Lehman Brothers Holdings Inc. ("LBHI") and its Controlled Entities (collectively, the "Company"). The term "Controlled Entities" refers to those entities that are directly or indirectly controlled by LBHI, including LAMCO LLC ("LAMCO"), and excludes, among other things, those entities that are under separate administrations in the United States or abroad, including Lehman Brothers Inc., which is the subject of proceedings under the Securities Investor Protection Act. LBHI and certain of its Controlled Entities have filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the "Debtors". The Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. The Debtors have prepared this MOR, as required by the Office of the United States Trustee, based on the information available to the Debtors at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This MOR is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. The Debtors reserve all rights to revise this report.

1. This MOR is not prepared in accordance with U.S. generally accepted accounting principles (GAAP). This MOR should be read in conjunction with the financial statements and accompanying notes in the Company's reports that were filed with the United States Securities and Exchange Commission.
2. This MOR is not audited and will not be subject to audit or review by the Company's external auditors at any time in the future.
3. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Debtors have incurred additional professional fee expenses during the reporting period that will be reflected in future MORs as cash payments are made to providers.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities
Schedule of Professional Fee and Expense Disbursements (a)
January 2011
Unaudited (\$ in thousands)

		January-2011	Filing Date Through January-2011 (b)
Debtors - Claims and Noticing Agent			
Epiq Bankruptcy Solutions LLC.....	Claims Management and Noticing Agent	\$ —	\$ 10,919
Debtors - Section 363 Professionals			
Alvarez & Marsal LLC.....	Interim Management	10,133	403,489
Kelly Matthew Wright.....	Art Consultant and Auctioneer	8	91
Natixis Capital Markets Inc.....	Derivatives Consultant	771	14,297
Debtors - Section 327 Professionals			
Bingham McCutchen LLP	Special Counsel - Tax	422	16,249
Bortstein Legal LLC.....	Special Counsel - IT and Other Vendor Contracts	29	3,686
Clyde Click, P.C.....	Special Counsel - Real Estate	23	43
Curtis, Mallet-Prevost, Colt & Mosle LLP	Special Counsel - Conflicts	—	24,058
Dechert LLP	Special Counsel - Real Estate	161	1,372
Deloitte LLP	Tax Services	—	79
Discover Ready LLC.....	eDiscovery Services	3,121	11,534
Ernst & Young LLP	Audit and Tax Services	—	1,553
Gibson Dunn & Crutcher LLP	Special Counsel - Real Estate	161	1,686
Hudson Global Resources	Contract Attorneys	2,323	8,711
Huron Consulting	Tax Services	—	2,145
Jones Day.....	Special Counsel - Asia and Domestic Litigation	1,687	47,066
Kasowitz, Benson, Torres & Friedman.....	Special Counsel - Litigation	96	570
Kleyn Grasso Associates.....	Special Counsel - UK	21	440
Latham & Watkins LLP	Special Counsel - Real Estate	4	385
Lazard Freres & Co.	Investment Banking Advisor	321	24,900
McKenna Long & Aldridge LLP	Special Counsel - Commercial Real Estate Lending	—	4,935
MMOR Consulting	Tax Services	—	227
Momo-o, Matsuo & Namba	Special Counsel - Asia	7	137
O'Neil Group	Tax Services	170	1,202
Pachulski Stang Ziehl & Jones.....	Special Counsel - Real Estate	106	1,702
Paul, Hastings, Janofsky & Walker LLP	Special Counsel - Real Estate	148	860
Pricewaterhouse Coopers LLP.....	Tax Services	—	858
Reed Smith LLP	Special Counsel - Insurance	85	339
Reilly Pozner LLP.....	Special Counsel - Mortgage Litigation and Claims	341	5,227
Simpson Thacher & Bartlett LLP	Special Counsel - SEC Reporting, Asset Sales, and Congressional Testimony	94	2,605
SNR Denton LLP	Special Counsel - Real Estate	51	652
Sutherland LLP.....	Special Counsel - Tax	89	190
Weil Gotshal & Manges LLP.....	Lead Counsel	17,536	272,110
Windels Marx Lane & Mittendorf, LLP	Special Counsel - Real Estate	25	2,169
Wollmuth Maher & Deutsch LLP.....	Special Counsel - Derivatives	582	582
Creditors - Section 327 Professionals			
FTI Consulting Inc.	Financial Advisor	2,657	50,992
Houlihan Lokey Howard & Zukin Capital Inc.	Investment Banking Advisor	333	10,600
Milbank Tweed Hadley & McCloy LLP	Lead Counsel	—	89,886
Quinn Emanuel Urquhart Oliver & Hedges LLP.....	Special Counsel - Conflicts	—	15,242
Richard Sheldon, Q.C.....	Special Counsel - UK	—	130
Examiner - Section 327 Professionals			
Duff & Phelps LLC	Financial Advisor	—	42,502
Jenner & Block LLP	Examiner	35	57,933
Fee Examiner			
Feinberg Rozen LLP	Fee Examiner	250	2,905
Brown Greer Plc.....	Fee and Expense Analyst	—	515
Total Non-Ordinary Course Professionals		41,787	1,137,774
Debtors - Ordinary Course Professionals		1,002	34,818
US Trustee Quarterly Fees		148	1,182
Total Professional Fees and UST Fees (c)		\$ 42,937	\$ 1,173,774

- (a) All professional fees have been paid by LBHI; however, a portion has been charged back to debtor and non-debtor subsidiaries based on the direct costs associated with each entity and an allocation methodology.
- (b) The figures reflected in this table represent cash disbursements from LBHI's filing date through the end of January 2011. The figures do not include accruals.
- (c) Excludes professional services rendered on behalf of non-debtor entities which are invoiced separately.